

An overview of Sri Lankan Ginger Export Market and Prevailing Barriers for Exports

UPM De Silva^{1*}, M De Zoysa¹ and IN Wanasinghe²

¹Department of Agricultural Economics & Extension, Faculty of Agriculture, University of Ruhuna, Mapalana, Kamburupitiya, Sri Lanka

²Export Agriculture Division, Export Development Board, Nawam Mawatha, Colombo 02, Sri Lanka

Abstract

Ginger is an economically important crop in Sri Lanka and considered as an export agricultural crop with a high potential for further improvement. The demand for Sri Lankan ginger has increased continuously due to unique flavor and aroma. The main objective of this research was to analyze the present situation of Sri Lankan ginger export market and prevailing barriers for exports. Primary data were collected from the total population of ginger exporters in Sri Lanka and purposively selected twenty five ginger growers in Kandy and Gampaha districts. Structure – Conduct – Performance paradigm was used to analyze the present situation of Sri Lankan ginger export market. The result revealed that representation of Sri Lankan ginger in the world export market of ginger is only about 0.1%. China is the major competitor for Sri Lanka while major importer of Sri Lankan ginger is the United States of America. Dry ginger is the highest demanded ginger product and all the ginger products are exported under the brand name of 'Sri Lanka'. The results also revealed that the major market barriers to export Sri Lankan ginger are variety problems, shortage of supply, quality issues, less diversified products and high price.

Keywords: Export, Ginger, Marketing barriers, Sri Lanka

***Corresponding author:** upmdesilva@gmail.com

Introduction

Ginger is the rhizome of the plant *Zingiber officinale* (Genus *Zingiber*, Family Zingiberaceae), which is consumed as a delicacy, medicine, or spice. The rhizome can be used afresh, powdered, dried, or as an oil or juice. Ginger is grown in all over the Sri Lanka but the Wet and Intermediate zones are the major growing areas. According to the latest statistics in Department of Agriculture, the highest ginger growing area is Kandy district. Three major local and imported varieties are grown in Sri Lanka, namely; Local, Chinese and Rangoon (Sathyagowri and Seran, 2011) of which local variety is indigenous to Sri Lanka and other two are also quite common. The local variety differs from the others because of its unique flavour. According to the experts in the field, Sri Lankan Ginger contains very low amount of zingiberene but very high content of bisabolene that causes high pungency than other varieties.

Production and area harvested of ginger in Sri Lanka in 2013 were about 0.7% and 0.8% respectively by comparison to the world's production and area harvested (Factfish, 2014). But Sri Lankan ginger production quantity and ginger cultivated land extent have increased continuously during 2003-2012 and in 2012 they have been 14,910 tons and 2,660 ha respectively (Factfish, 2014). There was a fluctuation in Sri Lankan ginger export amount during 2009 to 2013 (ITC Trade map, 2014). Growth in ginger exported value has shown a

decline from 2012 to 2013 (ITC Trade map, 2014). Ginger export amount is only about 13% from ginger production of Sri Lanka (Factfish, 2014). China, India and Thailand were major exporters in the global ginger market in 2013. The largest importer of Sri Lankan ginger is the USA, but when considered as region wise it is the European region. But Sri Lankan ginger is not exported to African region. Ginger has higher marketing prospects and considered as a high potential export agricultural crop in Sri Lanka. The main objective of this research was to analyze the present situation of export market of Sri Lankan ginger and to identify prevailing barriers for exports.

Materials and Methods

This research study focused on two target populations. Ginger products exporters who have registered in Export Development Board (EDB) were considered as the first target population which consisted with 12 ginger exporters. "Exporters" were interviewed to analyze the present situation and export market entry issues adopted by them in production and exportation. Seven exporters in the target population were small scale ginger exporters and others were large scale exporters. Twenty five ginger growers; fifteen growers from Kandy district and ten growers from Gampaha district were purposively selected according to the information of exporters as the second target population. The research was carried out in the Pujapitiya Divisional Secretariat in Kandy

district, and Mahara and Dompe Divisional Secretariats in Gampaha district, as most of the exporters in the target population directly receive ginger from growers in those areas.

Data were collected through a field survey using a pre-tested structured questionnaire and through informal discussions with growers and exporters as well as field observations. Data of the field observations were important in confirmation of primary data. The secondary data were collected through published information, trade statistics and trade directories of EDB, trade statistics and information of Department of Export Agriculture (DEA), related to ginger written by various researchers. The collected data were analyzed using descriptive statistics such as percentages, charts, tables and graphs. Structure-Conduct-Performance paradigm was used to analyze the present situation of Sri Lankan ginger export market.

Results and Discussion

The world export and import markets of ginger have grown by sequentially 20.15% and 33.07% in value from 2012 to 2013. The contribution of Ginger exports to the total exports of Sri Lanka was 0.0037%. Total exported value of Sri Lankan ginger was about 224,000 US Dollar (USD) with an export volume of 152 tons in 2013 (ITC Trade map, 2014). But export amount of ginger from Sri Lanka to the world in 2013 is 0.1% when comparing with export amount of ginger from other countries to the world market. Sri Lankan ginger exportation has fluctuated from 2003 to 2009 (ITC Trade map, 2014). Average export market price for Sri Lankan dry ginger has reduced by Rs. 904.00, showing a distinctive decline while ginger powder has increased by Rs. 348.00 showing an increment within the

period of 2010 to 2013. (ITC Trade map, 2014). There are only 12 ginger exporters functioning throughout the country. Market share of the four largest ginger exporting companies of Sri Lanka was higher than 50% of total ginger exports by Sri Lanka. The major costs identified within the Sri Lankan ginger export industry were transport, processing, packaging, labor, air cargo space or shipment charges, taxes and documentation. It was identified that there is a poor vertical linkage between producers and traders. But in some areas there are farmers' associations for collective marketing practice. But at traders' level, there were not identified unions for promoting ginger exportation as other spices.

There are mainly four ginger products dominating in ginger export market of Sri Lanka. Those are fresh ginger, dry ginger, powder and oil and oleoresin. Dry ginger is a highest exported ginger product of Sri Lanka. Apart from that exporters commented that they produce some value added other products such as ginger tea bag, ginger mix, slices. In 2013, exported values of ginger powder, dry ginger and ginger oil were 54 USD, 170 USD and 127,000 USD respectively (ITC Trade map, 2014). There was higher unit price for ginger oil than other ginger products. All ginger products are exported under brand of "Sri Lankan Ginger". Most of export companies get market details through electronic media and government institutions as EDB. According to the most of exporters' views, they have to face huge competition to find suppliers of ginger than finding buyers for their products. Under the performance paradigm it was identified that there is a higher demand for local ginger due to better inherited bio-chemical characteristics.

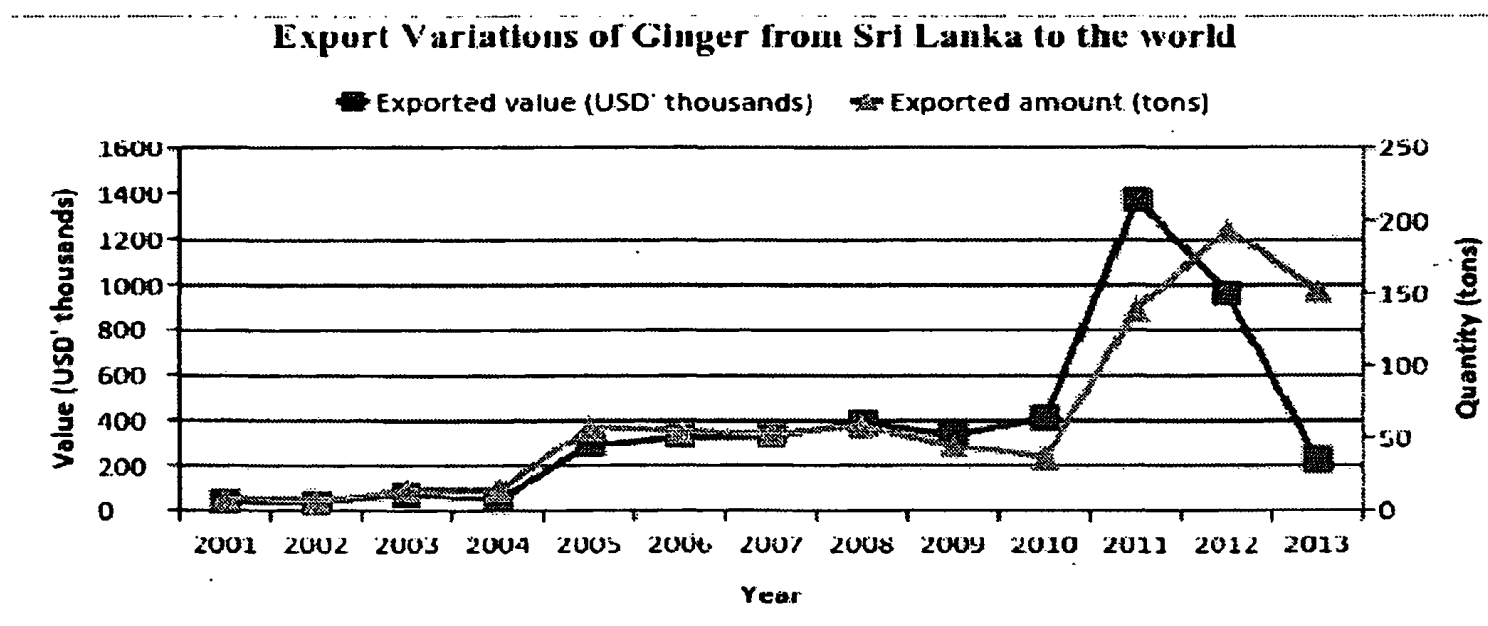


Figure 1: Export variations Value (USD thousands) and Quantity (tons) of ginger from Sri Lanka to the world from 2001 to 2013(Source: ITC Trade map, 2014)

Five factors were identified as the major barriers for Sri Lankan ginger within the total ginger export market. According to exporters, supply shortage was identified as the main problem. There is a low ginger production in Sri Lanka compared to the market requirement. There are main issues in ginger cultivation including seasonal production system related issues, issues of management practices and common diseases. However, production cost for ginger cultivation is less compared to other crops commonly cultivated in the area. Variety problem was another identified barrier. According to exporters' view, there is high demand for local ginger and Rangoon ginger in export market compared to other varieties. But according to information of DEA and collected data, production of Chinese ginger is higher than local ginger in Sri Lanka due to high yield and easiness of post harvest practices.

Some of the specific problems faced by Sri Lankan exporters and producers are that they do not have adequate and timely information about the standards and health and sanitary regulations applicable to products in the target markets (Herath, 2002). According to exporters, low cleanliness level and problems of chemical and physical characteristics are quality issues which are occurred due to growers' unawareness and negligence regarding the standards. The growers commented that very often they have to meet adverse climatic conditions, damages done by wild animals and fungus attacks. Furthermore, they have to pay high labor wages and spend more time for proper post harvest practices to produce high quality ginger. Another identified barrier was lack of diversified products of Sri Lankan ginger in the export market. Mainly there are only four ginger products as above mentioned. Rosairo (2003) has stated that Sri Lankan product innovation is lower than the expected levels and Sri Lankan exporters introduce a new product once a year or once in two years. The fifth barrier was negative perceptions regarding Sri Lankan ginger within the world market due to high price when comparing with other countries. Lack of marketing knowledge, price instability, low government support, infrastructure problems and low profit were also highlighted by the growers and exporters as barriers.

Conclusion

Contribution of Sri Lankan ginger to the total ginger export market is as low as 0.1%. Sri Lankan ginger exportation value and quantity have declined 76.71% and 21.88, respectively in 2013 compared to 2012. The identified major market barriers were supply shortage, variety problems, quality issues, less diversified products, and high price. Implementation of suitable marketing strategies is important to promote export marketing of Sri Lankan ginger.

References

- Factfish 2014. Ginger, [Online], Available at: <http://www.factfish.com/statistic-country/sri+lanka/ginger,+production+quantity> [Accessed 23th Oct.2014].
- Herath A 2002. Spice Sector of Sri Lanka: Issues, Challenges and Opportunities for the Next Decade, Economic Review, May/August 2002:12-21.
- International Trade Centre (ITC) 2014. Trade map, [Online], Available at: <http://www.trademap.org/%28S%28rhfjkh2xvldcs255luneszuo%29%29/Index.aspx> [Accessed 16th Dec.2014].
- Rosairo HSR 2003. Impact of marketing strategy on market share of ornamental and horticultural exports; The Sri Lankan case, [Online], Available at: www.sab.ac.lk/Academy-Activity/susl_journal/vol_3.1/arti_8.doc [Accessed 14th Oct. 2014].
- Sathyagowri S and Seran TH 2011. In Vitro Plant Regeneration of Ginger (*Zingiber officinale* Rosc.)with Emphasis on Initial Culture Establishment, Int. J. Med. Arom. Plants, 1(3), 195-202, [Online], Available at: http://www.openaccessscience.com/pdf-files/vol1_3_dec2011/IJMAP_1_3_3_Zingiber%20officinale.pdf [Accessed 30th Sept. 2014].